

**Statement from Mark Birdwhistell, Undersecretary For
Cabinet For Health and Family Services**

I welcome the opportunity to address the questions regarding my role in the development of the 2005 State Employee Health Insurance Plan.

I have been a state employee my entire work-life. I have worked diligently for the last 27 years to serve the people of this Commonwealth. Seventeen (17) of those years were primarily with the Department of Medicaid Services, ten (10) with the University of Kentucky, and in January I returned to the Cabinet for Health and Family Services as Undersecretary for Health. For part of my time with the University of Kentucky I was dispatched to serve as the interim CEO of CHA Health, but I always remained an employee of the University. The University of Kentucky Hospital is the largest shareholder in CHA Health. The other investors are non-profit hospitals. This special assignment to CHA Health was originally intended to last two (2) months, but it turned into five (5) years. During this tenure, I served as past Chairman of the Kentucky Association of Health Plans. In that role I worked with the Chamber of Commerce to help facilitate the insurance needs of small business.

I want to state that I did not, and would not, participate in any activity, which would have compromised my integrity or harmed the commonwealth and its citizens.

Let me immediately address your concerns. First, I did not evaluate any of the proposals from CHA Health or any other health insurance company. Second, I did not negotiate with any of the insurance companies involved.

There are three (3) phases to the roll out of the 2005 health plan. First, is the benefit plan design. Second, is the design of the RFP. Third, and finally, is the contract negotiation.

The Personnel Cabinet designed and drafted the benefits plan. The Finance and Administration Cabinet released the RFP and negotiated the contracts. At no time did the state employees of either of these Cabinets deviate from the requirements of Kentucky procurement laws.

Having said that, and acknowledging that there has been considerable confusion about my role, I want to be very specific to my role in the 2005 health plan.

The first phase of the health plan was the design of the benefits plan. Matt Bassett and I met with Secretary Ramsey of the Personnel Cabinet on January 16, 2004 to offer technical assistance in the development of the plan; particularly to ensure that the benefit plan emphasized the Governor's interests in the areas of consumer awareness, disease management, and increased market competition. I made this offer because I felt I had a unique perspective from having run a health insurance company. I provided advice when asked. However, due to the enormous responsibility I have at the Cabinet for Health and Family Services, I turned my attention to my core responsibilities in overseeing Public Health, Mental Health and Mental Retardation Services, Certificate of Need and the Medicaid Program.

Over the course of the next three (3) months, Personnel Cabinet staff designed the Health Benefits Plan.

It was not until April 19, 2004, that I, and many others, attended a briefing on the 2005 Health Benefits Plan. At this briefing, Secretary Ramsey and his staff outlined the plan in broad and general terms and explained that the RFP would be released imminently. No specifics were provided on coinsurance or deductible levels. This is also when I learned of the Personnel Cabinets decision to have one (1) insurance company per region. Because the briefing was intended only to give a broad overview of the plan, I attended this meeting with others from my Cabinet to ensure that initiatives of consumer awareness, disease management, and increased market competition were adequately addressed. This could not be determined at this meeting so other meetings were scheduled.

On the afternoon of April 23, 2004, I met again with Secretary Ramsey and his staff to receive a draft copy of the RFP. This was the first time that I saw the details of the health benefit plan being proposed for 2005.

There have been questions regarding the Confidentiality Agreement that I, and others, signed when we received the RFP. The Confidentiality Agreement is designed to acknowledge that the information within the RFP is confidential and not to be disclosed to others. This document does not determine who evaluates the proposals. Rather this document protects information. At all times I fully abided by the terms of the

Agreement. In fact, I was so cautious with the RFP that I had my secretary sign a Confidentiality Agreement in case she saw the RFP on my desk. During my 27 years of service I have signed many such agreements and I fully appreciate the parameters of the model procurement statutes.

This brings us to the second phase of the process – designing the RFP. Let's be clear about the process. The RFP is not the health benefits plan. The RFP is only the vehicle used to encourage insurers to compete by bidding for the benefit plan contracts. This part of the process requires drafting the RFP in a manner that attracts the most bidders to encourage competition and reduce prices. At this point in the process, the health benefits plan was packaged and complete.

Subsequently, meetings with the Governor, Personnel Cabinet staff, Finance and Administration Cabinet staff, myself and my staff resulted in the inclusion of two additional bid scenarios that were specifically designed to encourage more competition and lower the costs to the Commonwealth and its employees. These two (2) additional scenarios also sought to provide consistency with the principles of House Bill 650. These two (2) bid scenarios were not ultimately utilized and had no affect on the awarding of the contracts. The RFP was then released on April 29th – only three (3) days after I first reviewed the details of the health benefits plan.

This brings us to the third and final phase of the process – contract evaluation and negotiation. The bids from the insurance companies were submitted to the Finance and

Administration Cabinet. I did not receive any of the bids. I did not evaluate any of the bids. All bids were evaluated, scored and selected for negotiation by staff from the Finance and Administration and Personnel Cabinets.

I was not present at the negotiations with any of the insurance carriers. The negotiation team, including Secretary Rudolph and Mr. Burnside, asked me questions to gain insight on “what an insurer would think”. I was not asked by, nor did I advise, the negotiation team in any manner that would favor CHA or any insurance company during the negotiations. The substance and purpose of my advice was to foster competition through the process.

When asked, I offered broad technical advice to educate those individuals in the Finance and Administration Cabinet who needed perspective to ensure and preserve competition on the bids. Because of my experience with health insurance companies, it was to the Commonwealth’s advantage to get this perspective to maximize the cost savings to the taxpayers that could be realized through this process.

For example, in the July meetings I emphasized the leverage the state could enjoy by suggesting to the insurance companies that the state would use self-insurance in particular regions, if not the whole state. This tactic would convince the insurance companies to reduce their rates or else lose the business. I developed and implemented this same strategy at the University of Kentucky by creating a self-insured plan for university employees and reducing their rates.

The documents that my Cabinet and other Cabinets has provided bear out these facts.

In recent weeks much attention has been given to the 2005 Health Plan and the scrutiny of my role in that process has intensified. I have been an advisor to the Governor and his staff on assessing the merits of the plan and in communicating the consumer awareness, wellness, and disease management aspects of the plan. There is nothing in my conduct that violates my personal code, and the code of my Cabinet. In every way, my actions were legal, moral and ethical; for anyone to insinuate otherwise is not only false, but also mean-spirited.

It is my sincere desire to fully answer all questions on this issue so that my work for Kentucky moves forward. Again, let me make it clear that as Undersecretary of Health, I serve to benefit no one other than the citizens of the Commonwealth of Kentucky.

I appreciate the opportunity to clarify the facts and I welcome your questions.